

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1640 - SB 1756

February 18, 2020

SUMMARY OF BILL: Authorizes issuance of a Lineman Power of Tennessee specialty plate for motor vehicles owned by a rural electric and community services cooperative and used for passenger transport, which have a maximum weight of or less than 9,000 lbs.

ESTIMATED FISCAL IMPACT:

On February 1, 2020, a fiscal note was issued for this legislation estimating an impact as follows:

Increase State Revenue –

\$15,700/FY20-21/Lineman Power of Tennessee Fund

\$17,500/FY21-22 and Subsequent Years/Lineman Power of Tennessee Fund

\$12,500/FY20-21/Tennessee Arts Commission

\$14,000/FY21-22 and Subsequent Years/Tennessee Arts Commission

Decrease State Revenue – Net Impact –

\$800/FY20-21 and Subsequent Years/General Fund

\$37,800/FY20-21/Highway Fund

\$37,400/FY21-22 and Subsequent Years/Highway Fund

Increase Local Revenue - \$1,000/FY20-21 and Subsequent Years/County Clerks

Other Fiscal Impacts – The Department of Revenue will retain approximately \$3,640 from the sale of 1,000 license plates to compensate TRICOR for production, warehousing, and distribution costs. TRICOR will receive approximately \$140 in net revenue in FY20-21.

Based on additional information received from the Tennessee Electric Cooperatives Association, the estimated fiscal impact has been corrected as follows:

(CORRECTED)

Increase State Revenue –

\$3,100/FY20-21/Lineman Power of Tennessee Fund

\$3,500/FY21-22 and Subsequent Years/Lineman Power of Tennessee Fund

\$2,500/FY20-21/Tennessee Arts Commission

\$2,800/FY21-22 and Subsequent Years/Tennessee Arts Commission

Decrease State Revenue – Net Impact –

\$200/FY20-21 and Subsequent Years/General Fund

\$7,600/FY20-21/Highway Fund

\$7,500/FY21-22 and Subsequent Years/Highway Fund

Increase Local Revenue - \$200/FY20-21 and Subsequent Years/County Clerks

Other Fiscal Impacts – The Department of Revenue will retain approximately \$728 from the sale of 200 license plates to compensate TRICOR for production, warehousing, and distribution costs. TRICOR will receive approximately \$28 in net revenue in FY20-21.

Corrected Assumptions:

- It is assumed that 200 plates would be ordered to meet the expected demand.
- According to the Department of Revenue (DOR), the registration fee for such vehicles is currently \$68.50 and such receipts are distributed 98 percent to the Highway Fund and 2 percent to the General Fund.
- A total recurring decrease in state revenue of \$13,700 ($200 \times \68.50).
- A recurring decrease in state revenue of \$13,426 ($\$13,700 \times 98\%$) to the Highway Fund and \$274 ($\$13,700 \times 2\%$) to the General Fund.
- According to DOR, vehicles registered pursuant to this legislation will now pay a registration fee of \$26.50, as well as pay the annual \$35 fee for a specialty license plate.
- Receipts of the \$26.50 registration fee are distributed 98 percent to the Highway Fund and 2 percent to the General Fund.
- A total recurring increase in state revenue of \$5,300 from the \$26.50 fee ($200 \times \$26.50$).
- A recurring increase in state revenue of \$5,194 ($\$5,300 \times 98\%$) to the Highway Fund and \$106 ($\$5,300 \times 2\%$) to the General Fund.
- All net revenue from sales of specialty license plates will be allocated as follows: 50 percent to Lineman Power of Tennessee; 40 percent to the Tennessee Arts Commission; and 10 percent to the Highway Fund.
- A recurring increase in state revenue of \$7,000 from the \$35 fee ($200 \text{ plates} \times \35.00 fee).
- The Department of Revenue will retain \$3.64 per license plate for a total of at least \$728 for 200 plates ($200 \text{ plates} \times \3.64), which will be paid to TRICOR in FY20-21 for the cost of production, warehousing, and distribution of the plates.
- An increase in state revenue of \$6,272 ($\$7,000 - \728) in FY20-21, allocated as follows: \$3,136 ($\$6,272 \times 50\%$) to the Lineman Power of Tennessee Fund; \$2,509 ($\$6,272 \times 40\%$) to the Tennessee Arts Commission; and \$627 ($\$6,272 \times 10\%$) to the Highway Fund.

- An increase in state revenue of \$7,000 in FY21-22 and subsequent years, allocated as follows: \$3,500 ($\$7,000 \times 50\%$) to the Lineman Power of Tennessee Fund; \$2,800 ($\$7,000 \times 40\%$) to the Tennessee Arts Commission; and \$700 ($\$7,000 \times 10\%$) to the Highway Fund.
- TRICOR's actual cost to produce, warehouse, and distribute these specialty license plates is estimated to be \$3.50 per license plate, resulting in \$0.14 net revenue per plate for a one-time increase in net revenue to TRICOR of \$28 (200 plates \times \$0.14).
- Pursuant to Tenn. Code Ann. § 55-4-202(b)(5), a \$1.00 fee is payable to the county clerk upon issuance of any specialty license plate.
- A recurring increase in local revenue of \$200 (200 \times \$1.00) in FY20-21 and subsequent years.

Net Impacts - FY20-21

- An increase in state revenue to the Lineman Power of Tennessee of \$3,136.
- An increase in state revenue to the Tennessee Arts Commission of \$2,509.
- A net decrease in state revenue to the General Fund of \$168 ($\$106 - \274).
- A net decrease in state revenue to the Highway Fund of \$7,605 ($\$5,194 + \$627 - \$13,426$).
- An increase in local revenue of \$200.

Net Impacts - FY21-22 and Subsequent Years

- An increase in state revenue to the Lineman Power of Tennessee of \$3,500.
- An increase in state revenue to the Tennessee Arts Commission of \$2,800.
- A net decrease in state revenue to the General Fund of \$168 ($\$106 - \274).
- A net decrease in state revenue to the Highway Fund of \$7,532 ($\$5,194 + \$700 - \$13,426$).
- An increase in local revenue of \$200.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb